

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: PEPR, ECON, EEWT, EINV, EMIN, EI
SUBJECT: PROPOSALS FOR IRISH ZINC SMELTER

REF: A) DUBLIN 694

1. EARLY THIS MONTH NEW JERSEY ZINC OFFICIALLY INFORMED THE GOI OF THE CONCLUSION TO ITS FEASIBILITY STUDY ON THE ESTABLISHMENT OF A ZINC SMELTER IN IRELAND TO PROCESS ORE FROM THE RICH NAVAN LEAD/ZINC DEPOSITS. NEW JERSEY ZINC'S FINAL RECOMMENDATION WAS AS PREDICTED TO US BY THEIR LOCAL REPRESENTATIVE IN EARLY MARCH (SEE REFTEL), I.E. THAT IN LIGHT OF LOW INTERNATIONAL PRICES, WIDESPREAD UNDERCAPACITY PRODUCTION AND THE UNLIKELIHOOD OF A RAPID WORLDWIDE ECONOMIC UPSWING, PROJECT SHOULD BE POSTPONED SO COMPLETION WOULD BE IN 1984-5 RATHER THAN 1981-2. THIS DECISION CAN HARDLY HAVE COME AS A SURPRISE TO IRISH GOVERNMENT OFFICIALS WHO WERE WELL AWARE OF UNFAVORABLE DEVELOPMENTS IN THE ZINC MARKET. THE POSTPONEMENT IS A SERIOUS DISAPPOINTMENT TO A GOVERNMENT WHOSE ECONOMIC PROGRAM PLACES HEAVY EMPHASIS ON RAPID JOB CREATION AND THE MAXIMIZATION OF LOCAL VALUE ADDED.

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2. MINISTER OF INDUSTRY, COMMERCE AND ENERGY
DESMOND O'MALLEY HAS ASKED THE INDUSTRIAL DEVELOPMENT AUTHORITY TO REVIEW THE CURRENT SITUATION AND TO REPORT AS SOON AS POSSIBLE ON PRACTICAL ALTERNATIVE COURSES OF ACTION. ALTHOUGH DECISION NOT TO PROCEED PERMITS GOI TO TURN PROJECT OVER TO ANOTHER COMPANY LOCAL NJZ REP

IS VERY DOUBTFUL THAT ANY OTHER MAJOR PRIVATE CONCERN
WOULD BE INTERESTED IN PROCEEDING WITH A SMELTER AT THE
PRESENT TIME BECAUSE OF POOR MARKET CONDITIONS.

3. AMONG THE OPTIONS WHICH THE IDA IS REPORTEDLY EXAMINING,
BESIDES A POSTPONEMENT OF THE PROJECT TO AWAIT AN IMPROVEMENT
IN THE WORLD ZINC MARKET, ARE THE FOLLOWING: A) TO TAKE A SERIOUS
LOOK AT THE SOVIET "PROPOSAL", WHOSE NATURE AS WELL AS THE
PRELIMINARY REACTION TO IT BY IRISH OFFICIALS ARE OUTLINED IN
REFTEL; B) TO POSTPONE THE ZINC SMELTER BUT TO PROCEED WITH A LEAD
SMELTER, WHICH HAS BEEN REGARDED AS ENVIRONMENTALLY UNDESIRABLE,
AS SOON AS POSSIBLE; C) TO UNDERTAKE THE ZINC SMELTER UNDER FULL
GOVERNMENT OWNERSHIP WITH THE ORIGINAL 1981-2 TARGET DATE FOR
COMPLETION, A COURSE OF ACTION WHICH WOULD ENTAIL THE ABSORPTION
OUT OF PUBLIC FUNDS OF SUBSTANTIAL LOSSES FOR SEVERAL YEARS OVER
AND ABOVE THE INITIAL CAPITAL OUTLAY BY A GOVERNMENT STRUGGLING
TO REDUCE A BUDGET DEFICIT WHICH IS EXPECTED TO REACH 13 PERCENT
OF GNP THIS YEAR. RENDAHL

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